



**AREA AGENCIES ON AGING ASSOCIATION OF MICHIGAN
6105 W. ST. JOSEPH, SUITE 204, LANSING, MICHIGAN 48917**

TESTIMONY OF MARY ABLAN, MA, MSW, EXECUTIVE DIRECTOR

We need Blue Cross to remain as the insurer of last resort for older adults and people with disabilities. This is because the protections in the Affordable Care Act do not apply to Medicare Supplemental policies.

Medicare Supplemental policies are regulated poorly by the federal government. Federal regulations allow companies to

- deny policies to bad risks,
- exclude pre-existing conditions,
- apply rating factors like age with no limits,
- raise premiums at will with no limits or controls,
- eliminate policies altogether,
- and charge overhead and administrative costs with no limits.

The Affordable Care Act (ACA) does nothing to change this, unfortunately. Seniors and people with disabilities on Medicare are very vulnerable.

Blue Cross Legacy Medigap policies are the most accessible and affordable policies in the state and must be maintained by keeping current statutory protections in place. If Legacy policies are discontinued, some beneficiaries will be forced to drop coverage altogether, or go on Medicare Advantage. Both have high out-of-pocket costs when you need health care. Some will spend their income and assets on health care bills and be forced to enroll in Medicaid.

Younger people with disabilities going on Medicare have no legal protections in purchasing Medigap and rely on Blue Cross Legacy policies to supplement Medicare. People with End Stage Renal Disease, ALS, MS, and many other conditions depend on Blue Cross to sell them insurance.

Senate Bills 1293 and 1294 need to be amended to protect seniors and people with disabilities. The Attorney General's office has drafted an amendment that will protect them and we support it.

Many groups share this concern: the Michigan Seniors Advocates Council, Area Agencies on Aging Association, AARP, the Attorney General's office, the Elder Law Section of the State Bar, the Multiple Sclerosis Society, and other disability groups.

We ask that Senate language protecting the Blue Cross Escheats program be maintained in the House version and that the Area Agencies on Aging Association be guaranteed a seat on the board of the Health & Wellness Foundation. We are concerned about the speed with which the bills are moving through the Legislature and ask for your due diligence in making decisions affecting 70% of Michigan citizens.



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November 7, 2012

Representative Lund:

The Area Agencies on Aging Association has significant concerns about SBs 1293 and 1294 and the harms they will cause to older Michiganians as well as younger Michiganians with disabilities and chronic diseases. We need your leadership to amend these bills to help low and middle-income seniors and vulnerable adults. These are individuals exercising personal responsibility by purchasing insurance. They don't want to go on welfare.

We are working with AARP, the Attorney General, the Elder Law section of the State Bar, Multiple Sclerosis Society, ARC of Michigan and other groups to provide information to members of the House on how these bills can be fixed so that low and middle-income people will not have to spend all their income and assets on medical bills, be forced into medical bankruptcies, and see the Medicaid program as their only option.

The Blue Cross Medigap policies are the only coverage they can get into that they can afford. This is because the Medicare Supplemental market is regulated poorly by the federal government, and the Affordable Care Act (ACA) does nothing to improve this, unfortunately.

Federal regs allow companies to

- deny policies to bad risks,
- exclude pre-existing conditions,
- apply rating factors like age with no limits (the older you are the higher the premium),
- raise premiums at will with no limits or controls,
- eliminate policies altogether,
- and charge overhead and administrative costs with no limits (unlike ACA's minimum Medical Loss Ratios).

All of these practices are forbidden of Blue Cross in Public Act 350.

The bottom line – we need to maintain PA 350 protections for Medicare Supplemental insurance. We need Blue Cross to remain the insurer of last resort for Medigap.

Sincerely,

Mary Ablan
Executive Director

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**LANGUAGE DRAFTED BY ATTORNEY GENERAL'S OFFICE TO
PROTECT SENIORS AND PEOPLE WITH DISABILITIES**

[SEC. 5805]

(3) A NONPROFIT MUTUAL DISABILITY INSURER THAT HAS MERGED WITH A NONPROFIT HEALTH CARE CORPORATION AS DESCRIBED IN SUBSECTION (1) SHALL CONTINUE TO OFFER SUPPLEMENTAL COVERAGE TO ALL MEDICARE ENROLLEES AS PROVIDED IN CHAPTER 38. NOTWITHSTANDING ANY CONTRARY PROVISIONS IN CHAPTER 38 OR THIS ACT, THE MEDICARE SUPPLEMENTAL COVERAGE OFFERED BY THE NONPROFIT MUTUAL DISABILITY INSURER: (A) SHALL BE OFFERED ON A GUARANTEED ISSUE BASIS TO ELIGIBLE APPLICANTS; (B) SHALL BE COMMUNITY RATED; (C) MAY BENEFIT FROM COST TRANSFERS IN AN AMOUNT ESTABLISHED BY THE COMMISSIONER THAT ANNUALLY SHALL NOT EXCEED 1% OF THE COMPANY'S TOTAL REVENUES, DEFINED TO INCLUDE BOTH INSURED BUSINESS REVENUES AND REVENUES ATTRIBUTABLE TO FEES, REIMBURSEMENTS, AND PREMIUM EQUIVALENTS FROM ADMINISTRATIVE SERVICE CONTRACTS; (D) SHALL BE SUBJECT TO THE RATE FILING AND APPROVAL REQUIREMENTS CONTAINED IN SECTIONS 608 THROUGH 615 OF THE NONPROFIT HEALTH CARE CORPORATION REFORM ACT, 1980 PA 350, MCL 550.1608 - 550.1615; AND (E) SHALL COMPLY WITH THE TERMS OF ANY AGREEMENT ENTERED INTO WITH THE ATTORNEY GENERAL.